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GROWTH INCOME PROPERTIES LIMITED

1968  
*annual report*







## DIRECTORS

S. Richard Hansen

President and Chairman of the Board,  
Richard Hansen Associates Limited  
North Slave Explorations Limited

William P. McLaws

Barrister and Solicitor, McLaws & Company

Wilfred W. Shalenko

Comptroller, Britannia Realty group of companies

Dr. Mervin A. Lorenz

Physician, Fairview Medical Clinic

Murray C. Strang

Director and Manager Capital Division,  
North Slave Explorations Limited

## OFFICERS

President

S. Richard Hansen, Calgary, Alberta

Executive Vice-President

Murray C. Strang, Calgary, Alberta

Secretary

William P. McLaws, Calgary, Alberta

Treasurer

Wilfred W. Shalenko, Calgary, Alberta

## EXECUTIVE OFFICE

Suite 600, Anglo-American Building,  
330 - 9 Avenue West  
Calgary 2, Alberta, Canada

## BANK REFERENCE

Royal Bank of Canada  
Main Branch  
Calgary 2, Alberta, Canada

## AUDITORS

Clarkson, Gordon & Co.  
Elveden House  
Calgary 2, Alberta, Canada

## SOLICITORS

McLaws and Company  
407 - 8 Avenue West  
Calgary 2, Alberta, Canada

## REGISTRAR and TRANSFER AGENT

Canada Trust Company  
528 - 8 Avenue West  
Calgary 2, Alberta, Canada



## PRESIDENTS' REPORT

### TO THE SHAREHOLDERS

April 30, 1969.

On March 10, 1969 a new management group was elected to your company's Board of Directors. The enclosed financial statements reflect previous management policies and I will comment on them only briefly, preferring to discuss future prospects and policies of Growth Income Properties Limited.

The four year comparative figures on revenue, profits, retained earnings, earnings per share and cash flow, indicate the company has had steady growth, yet has done nothing more than collect rents and keep pace with the inflationary rental spiral which has occurred throughout Canada. We are pleased however, with the general upward trend and intend to implement policies designed to accelerate our growth substantially.

Referring to the balance sheet, it should be emphasized that assets are recorded at cost, and today's values are substantially higher. Appraisals presently underway, disclose the company is in a position to realize profits by selling certain properties from its portfolio and redeploying these funds.

In view of today's high interest rates, your company's long term debt position is excellent. Castlefinn Apartments

has a 7¼% mortgage with the remainder of the properties having 7% mortgages. Should some of the properties be sold in an effort to upgrade the portfolio, these low interest rates will prove attractive to potential purchasers and should result in optimum selling prices being realized.

Of concern to your new management is the company's income statement. Inconsistencies exist in the rental structure and net income is quite low in relation to capital funds invested. Similarly repairs and maintenance charges are grossly overstated and can be reduced to approximately 3% of the gross rentals.

Further it should be noted that the company has not developed a management team and employs no full time personnel other than caretaking staff resident in each building. To achieve and maintain a dynamic growth pattern it will be necessary to recruit management personnel and to invest monies in the utilization of their talents. A company is only as good as its people, and your company must embark upon a recruiting program immediately, which leads me to the subject of my talk.

There are two basic types of companies, growth orientated and dividend or income companies. Growth Income has been a dividend company since inception, having paid out a dividend of approximately 7% per annum. This policy has restricted the company's growth, leaving it without funds to finance future development programs.

Accordingly it will be our policy to suspend the cash dividend, preferring to compound income by deploying these monies back into the continued growth of the company. As an example, monies are immediately required to implement the following:

1. The recruiting of new management personnel.
2. The development of new properties on behalf of the company's account.
3. To enable the acquisition of companies in similar and related fields.
4. To maintain a minimum growth rate of at least 50% per year in assets, earnings, and cash flow over the next 5 years.
5. To expand into markets other than Calgary in order to achieve greater integration and diversification.

With respect to our long range goals and philosophies, it is felt the optimum use of capital is in the selective acquisition of undervalued corporations consistent with the following formula.

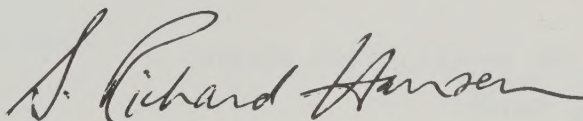
"The acquisition or merger will not be consummated unless the acquired company can generate capital funds substantially in excess of the capital required to take control, either through the orderly liquidation of marginal assets or from earnings generated from growth situations."

Surprisingly there is little shortage of qualifying candidates and your management's major activity will be the evaluation and implementation of acquisition opportunities.

In addition your Directors will staff a capable research team to conceive realty development projects on behalf of the company's account, and in participation with others on a joint venture or syndicate basis.

In closing I am pleased to advise an application has been made to have the company's common shares admitted for trading on a recognized stock exchange. It is our feeling that the aggressive growth policies of your new Board of Directors will be reflected in substantial long term capital gains to the shareholder.

On behalf of the  
Board of Directors,



S. Richard Hansen,  
President



**ASSETS****CURRENT ASSETS:**

Cash

Accounts Receivable

Prepaid Expenses

**TOTAL CURRENT ASSETS****FIXED ASSETS: - at cost - Schedule "A"**

Land

Buildings

Furniture and Appliances

LESS: Accumulated Depreciation - Note 1

**NET FIXED ASSETS****UTILITY DEPOSITS:**

December 31 1968	December 31 1967
\$ 37,471	\$ 3,973
7,232	35,568
1,316	1,177
46,019	40,718
\$ 164,800	\$ 164,800
891,624	891,624
84,834	79,964
1,141,258	1,136,388
90,118	67,514
1,051,140	1,068,874
151	298
<u>\$1,097,310</u>	<u>\$1,109,890</u>

**APPROVED ON BEHALF OF THE BOARD:**

S. R. Hansen, Director

M. C. Strang, Director

# GROWTH INCOME PROPERTIES LTD.

(Incorporated under the Laws of the Province of Alberta)

## BALANCE SHEET

AS AT DECEMBER 31st, 1968

(With comparative figures as at December 31st, 1967)

### LIABILITIES AND CAPITAL

#### CURRENT LIABILITIES:

Accounts Payable and Accrued Charges

Security Deposits

Contract Payable

Mortgage Principal Payments - due within one year

#### TOTAL CURRENT LIABILITIES

#### LONG TERM DEBT:

Mortgages Payable and Accrued Interest - Schedule "A"

LESS: Principal Payments due within one year

#### TOTAL LONG TERM DEBT

DEFERRED INCOME TAXES: - Note 2

#### TOTAL LIABILITIES

#### SHARE CAPITAL AND RETAINED EARNINGS:

##### SHARE CAPITAL:

AUTHORIZED: 1,000,000 common shares - no par value

ISSUED AND FULLY PAID: 436,210 common shares

RETAINED EARNINGS: - per statement

#### TOTAL SHARE CAPITAL AND RETAINED EARNINGS

December 31 1968	December 31 1967
\$ 5,401	\$ 6,925
4,890	4,750
	6,338
20,612	19,211
30,903	37,224
676,762	696,321
20,612	19,211
656,150	677,110
13,236	
700,289	714,334
367,376	367,376
29,645	28,180
397,021	395,556
<u>\$1,097,310</u>	<u>\$1,109,890</u>

The accompanying notes are an integral part of the financial statements.



GROWTH INCOME PROPERTIES LTD.

(Incorporated under the Laws of the Province of Alberta)

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31st, 1968

NOTE 1

Depreciation of buildings and furniture and appliances has been provided for in amounts equal to the reduction of long term debt in the year for assets originally acquired. Furniture acquired subsequently is being amortized on a straight line basis over a period of five years.

NOTE 2

On January 1, 1968 the company adopted the income tax allocation basis of providing for taxes on income. Under this method, taxes that would otherwise be payable for the year, are reflected directly in the accounts of the company. The effect of this change in the method of providing for taxes on income results in the reduction of net profits reported to December 31, 1968 in the amount of \$13,236 as compared to the net profits which would have been reported under the previous method.

The accumulated tax reduction to December 31, 1967 which resulted from the claiming for tax purposes capital cost allowances in excess of depreciation recorded in the accounts amounted to \$32,019. This amount is chargeable to those future periods in which the amounts claimed for tax purposes will be less than the depreciation recorded in the accounts.

NOTE 3

On January 1, 1969 a dividend of \$10,905 was declared payable January 20, 1969.



GROWTH INCOME PROPERTIES LTD.

(Incorporated under the Laws of the Province of Alberta)

STATEMENT OF PROFIT AND LOSS AND RETAINED EARNINGS  
FOR THE YEAR ENDED DECEMBER 31st, 1968

(With comparative figures for the year ended December 31st, 1967)

	December 31 1968	December 31 1967
REVENUE: Gross Rentals	<u>\$194,716</u>	<u>\$184,252</u>
EXPENSES:		
Advertising and Office Expense	1,002	1,035
Caretakers	8,160	7,425
Directors Fees	1,200	
Insurance	1,757	1,654
Interest	47,249	49,724
Management Fees	9,735	9,587
Professional Fees	1,446	829
Property Taxes	25,650	22,423
Registrar and Transfer Agents Fees	401	
Repairs and Maintenance	17,066	16,005
Utilities	12,364	12,007
Provision for Depreciation - Note 1	<u>22,604</u>	<u>20,068</u>
	<u>148,634</u>	<u>140,757</u>
NET PROFIT BEFORE PROVIDING FOR TAXES ON INCOME:	<u>46,082</u>	<u>43,495</u>
TAXES ON INCOME:		
Provision for Deferred Income Taxes - Note 2	13,236	11,598
Tax reduction chargeable to future period		<u>(11,598)</u>
	<u>13,236</u>	
NET PROFIT FOR THE YEAR:	<u>32,846</u>	<u>43,495</u>
RETAINED EARNINGS - beginning of year	<u>28,180</u>	<u>16,090</u>
	<u>61,026</u>	<u>59,585</u>
DEDUCT: - Dividends	<u>31,381</u>	<u>31,405</u>
RETAINED EARNINGS - end of year	<u>\$ 29,645</u>	<u>\$ 28,180</u>



# GROWTH INCOME PROPERTIES LTD.

(Incorporated under the Laws of the Province of Alberta)

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED DECEMBER 31st, 1968

(With comparative figures for the year ended December 31st, 1967)

	December 31 1968	December 31 1967
FUNDS PROVIDED BY:		
Net Profit for the year	\$ 32,846	\$ 43,495
ADD BACK: Expenses not requiring an outlay of funds:		
Depreciation	22,604	20,068
Provision for Deferred Income Taxes	13,236	
Funds Provided from Operations	68,686	63,563
Reduction of Utility Deposits	147	1,230
TOTAL FUNDS PROVIDED:	68,833	64,793
FUNDS USED FOR:		
Mortgage Principal Repayments	20,960	19,289
Dividends	31,381	31,405
Purchase of Furniture	4,870	751
Reduction in Long Term Contract Payable		5,960
TOTAL FUNDS USED:	57,211	57,405
INCREASE IN WORKING CAPITAL:	\$ 11,622	\$ 7,388



## Schedule "A"

## GROWTH INCOME PROPERTIES LTD.

(Incorporated under the Laws of the Province of Alberta)

SCHEDULE OF FIXED ASSETS AND MORTGAGES PAYABLE  
AS AT DECEMBER 31st, 1968

	LAND	BUILDINGS	FURNITURE AND APPLIANCES	TOTAL	MORTGAGES PAYABLE	BALANCE
Castlefinn Apartments	\$ 19,500	\$106,428	\$14,312	\$ 140,240	7½% - July 1, 1982	\$ 69,813
Canterbury House	15,000	109,007	11,194	135,201	7% - November 15, 1972	66,177
Cambridge House	15,000	109,213	10,749	134,962	7% - December 15, 1987	71,287
Sessaughallison Apartments	19,500	86,302	8,185	113,987	7% - April 1, 1984	66,898
Chadwick Manor	19,300	86,746	7,851	113,897	7% - February 1, 1984	65,119
Westdale Apartments	28,400	145,637	10,213	184,250	7% - December 4, 1987	124,899
Harcourt Manor	8,100	55,343	4,875	68,318	7% - November 4, 1983	41,558
Massey Court	23,500	117,731	9,801	151,032	7% - July 4, 1989	105,550
Waverly House	16,500	75,217	6,431	98,148	7% - April 1, 1989	65,461
Other			1,223	1,223		
Totals:	\$164,800	\$891,624	\$84,834	\$1,141,258		\$676,762



# FINANCIAL HIGHLIGHTS

4 year comparative figures)

	<u>1968</u>	<u>1967</u>	<u>1966</u>	<u>1965</u>
REVENUE	\$194,716	\$184,252	\$171,738	\$155,739
NET PROFIT (before taxes)	46,082	43,495	33,944	26,592
RETAINED EARNINGS	28,180	16,090	9,493	7,665
EARNINGS PER SHARE (before taxes)	10.6c/sh.	9.9c/sh.	7.8c/sh.	6.1c/sh.
CASH FLOW	68,686	63,563	53,062	43,399



TO THE SHAREHOLDERS OF  
GROWTH INCOME PROPERTIES LTD.

We have examined the balance sheet of Growth Income Properties Ltd., as at December 31st, 1968 and the statements of profit and loss and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31st, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change, of which we approve, in providing for taxes on income as described in Note 2 to the financial statements.

CALGARY, ALBERTA  
FEBRUARY 8, 1969.

FREEDMAN AND MIDDLETON  
CHARTERED ACCOUNTANTS



GROWTH INCOME PROPERTIES LIMITED is a publicly owned  
realty development company, having nine apartment buildings located  
throughout downtown Calgary.







